

THE CITY OF COLDWATER, KANSAS
FINANCIAL STATEMENTS
For the Year Ended December 31, 2010

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas 67550

The City of Coldwater, Kansas
Financial Statements
For the Year Ended December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Coldwater, Kansas

We have audited the accompanying financial statements of the City of Coldwater, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of Coldwater, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial (and summarized) comparative financial information has been derived from the City's 2009 financial statements and, in our report dated March 19, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Coldwater, Kansas as of December 31, 2010, the changes in its financial position, or where applicable, its cash flows for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Coldwater, Kansas, as of December 31, 2010 and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

The schedules presented as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The additional schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants

February 25, 2011

The City of Coldwater, Kansas
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts
Governmental Type Funds:			
General Fund	\$ 130,592.85	\$ 0.00	\$ 798,974.69
Special Revenue Funds:			
Comanche Estates Fund	10,782.60	0.00	0.00
Special Parks Fund	6,984.48	0.00	2,766.83
Special Highway Fund	35,732.54	0.00	20,498.59
Special Machinery Fund	24,854.29	0.00	0.00
Debt Service Fund:			
Water Bond & Interest Fund	26,576.09	0.00	100,008.00
Proprietary Type Funds:			
Enterprise Funds:			
Sewer Utility Fund	75,616.77	0.00	55,175.01
Water Utility Fund	103,993.46	0.00	208,000.04
Refuse Utility Fund	2,149.06	0.00	101,470.96
Fiduciary Type Funds:			
Private Purpose Trust Funds:			
Lake Donations Fund	156.64	0.00	0.00
Special Projects Donations Fund	3,939.76	0.00	204.00
Heritage Park Donations Fund	5,355.64	0.00	0.00
	<u>5,355.64</u>	<u>0.00</u>	<u>0.00</u>
Total Reporting Entity Excluding Agency Funds (Memorandum Only)	<u>\$ 426,734.18</u>	<u>\$ 0.00</u>	<u>\$ 1,287,098.12</u>

The notes to the financial statements are an integral part of this statement.

<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 761,937.30	\$ 167,630.24	\$ 9,739.92	\$ 177,370.16
3.99	10,778.61	0.00	10,778.61
0.00	9,751.31	0.00	9,751.31
25,891.94	30,339.19	0.00	30,339.19
0.00	24,854.29	0.00	24,854.29
125,562.92	1,021.17	0.00	1,021.17
34,481.92	96,309.86	1,628.94	97,938.80
280,454.76	31,538.74	1,780.95	33,319.69
102,075.98	1,544.04	0.00	1,544.04
0.00	156.64	0.00	156.64
151.19	3,992.57	0.00	3,992.57
<u>133.66</u>	<u>5,221.98</u>	<u>0.00</u>	<u>5,221.98</u>
<u>\$ 1,330,693.66</u>	<u>\$ 383,138.64</u>	<u>\$ 13,149.81</u>	<u>\$ 396,288.45</u>

The City of Coldwater, Kansas
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2010

Balance to be Accounted for:	<u>\$ 396,288.45</u>
Composition of Cash:	
City Accounts:	
NOW Account - Peoples Bank, Coldwater, KS	\$ 141,626.87
Less Outstanding Checks	(73,112.12)
MMA Account - Peoples Bank, Coldwater, KS	58,141.09
MMA Account - The Bank of Coldwater, Coldwater, KS	4,632.61
Certificates of Deposit - Peoples Bank, Coldwater, KS	150,000.00
Certificates of Deposit - The Bank of Coldwater, Coldwater, KS	<u>115,000.00</u>
Total Reporting Entity	<u>\$ 396,288.45</u>

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits
Governmental Type Funds:		
General Fund	\$ 794,611.00	\$ 0.00
Special Revenue Funds:		
Comanche Estates Fund	75,000.00	0.00
Special Parks Fund	8,500.00	0.00
Special Highway Fund	50,000.00	0.00
Debt Service Fund:		
Water Bond & Interest Fund	139,158.00	0.00
Proprietary Type Funds:		
Enterprise Funds:		
Sewer Utility Fund	101,000.00	0.00
Water Utility Fund	307,000.00	0.00
Refuse Utility Fund	124,000.00	0.00

The notes to the financial statements are an integral part of this statement.

<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
\$ 794,611.00	\$ 761,937.30	\$ (32,673.70)
75,000.00	3.99	(74,996.01)
8,500.00	0.00	(8,500.00)
50,000.00	25,891.94	(24,108.06)
139,158.00	125,562.92	(13,595.08)
101,000.00	34,481.92	(66,518.08)
307,000.00	280,454.76	(26,545.24)
124,000.00	102,075.98	(21,924.02)

The City of Coldwater, Kansas
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year			Variance
	Actual	Actual	Budget	Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 212,328.23	\$ 211,375.57	\$ 225,160.00	\$ (13,784.43)
Back Tax	8,563.24	7,524.01	413.00	7,111.01
Motor Vehicle Tax	39,738.69	51,070.62	43,810.00	7,260.62
Recreational Vehicle Tax	562.36	756.25	1,103.00	(346.75)
16/20 M Vehicle Tax	2,039.15	1,288.76	2,093.00	(804.24)
Special Assessment	133.35	358.35	0.00	358.35
Slider	718.77	0.00	0.00	0.00
Sales Tax	126,313.77	132,229.33	120,000.00	12,229.33
Alcohol/Liquor Tax	1,485.26	2,766.85	1,600.00	1,166.85
Franchise Tax	62,699.52	70,502.36	70,000.00	502.36
Fines and Permits	16,462.60	16,676.00	7,000.00	9,676.00
Charges for Services	221,176.60	213,853.98	190,000.00	23,853.98
Rents	2,105.00	1,960.00	1,500.00	460.00
Miscellaneous	7,813.15	5,678.60	0.00	5,678.60
Interest	4,594.24	4,279.67	5,000.00	(720.33)
Reimbursed Expenses	41,954.52	18,164.70	25,000.00	(6,835.30)
Federal Aid	5,370.52	0.00	0.00	0.00
State Aid	3,757.32	0.00	0.00	0.00
Oil and Gas Royalty	53,005.32	59,434.64	40,000.00	19,434.64
Sale of Assets	0.00	650.00	1,000.00	(350.00)
Shooting Range	0.00	405.00	0.00	405.00
Operating Transfer:				
From Sewer Utility	0.00	0.00	13,000.00	(13,000.00)
Total Cash Receipts	810,821.61	798,974.69	\$ 746,679.00	\$ 52,295.69
Expenditures				
Administration	288,579.02	259,022.92	267,356.00	(8,333.08)
Police	48,677.21	43,958.40	56,700.00	(12,741.60)
Streets	97,776.71	160,863.28	168,055.00	(7,191.72)
Park and Pool	47,319.91	62,049.05	67,500.00	(5,450.95)
Ball Field	1,837.31	2,343.92	2,500.00	(156.08)
Lake	182,600.33	199,158.53	204,000.00	(4,841.47)
Shop Expense	32,498.53	34,313.70	28,500.00	5,813.70
Water Debt Payments	70,000.00	0.00	0.00	0.00
Shooting Range	0.00	227.50	0.00	227.50
Total Expenditures	769,289.02	761,937.30	\$ 794,611.00	\$ (32,673.70)

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
GENERAL FUND (Cont'd.)
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts Over (Under) Expenditures	41,532.59	37,037.39		
Unencumbered Cash, Beginning	<u>89,060.26</u>	<u>130,592.85</u>		
Unencumbered Cash, Ending	<u>\$ 130,592.85</u>	<u>\$ 167,630.24</u>		

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
COMANCHE ESTATES FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Donations	\$ 3,883.85	\$ 0.00	\$ 31,000.00	\$ (31,000.00)
Total Cash Receipts	<u>3,883.85</u>	<u>0.00</u>	<u>\$ 31,000.00</u>	<u>\$ (31,000.00)</u>
Expenditures				
Maintenance	53.68	3.99	0.00	3.99
Supplies	<u>8,000.00</u>	<u>0.00</u>	<u>75,000.00</u>	<u>(75,000.00)</u>
Total Expenditures	<u>8,053.68</u>	<u>3.99</u>	<u>\$ 75,000.00</u>	<u>\$ (74,996.01)</u>
Receipts Over (Under) Expenditures	(4,169.83)	(3.99)		
Unencumbered Cash, Beginning	<u>14,952.43</u>	<u>10,782.60</u>		
Unencumbered Cash, Ending	<u>\$ 10,782.60</u>	<u>\$ 10,778.61</u>		

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
SPECIAL PARKS FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Alcohol/Liquor Tax	\$ 1,485.25	\$ 2,766.83	\$ 1,500.00	\$ 1,266.83
Total Cash Receipts	<u>1,485.25</u>	<u>2,766.83</u>	<u>\$ 1,500.00</u>	<u>\$ 1,266.83</u>
Expenditures				
Supplies	<u>0.00</u>	<u>0.00</u>	<u>8,500.00</u>	<u>(8,500.00)</u>
Total Expenditures	<u>0.00</u>	<u>0.00</u>	<u>\$ 8,500.00</u>	<u>(8,500.00)</u>
Receipts Over (Under) Expenditures	1,485.25	2,766.83		
Unencumbered Cash, Beginning	<u>5,499.23</u>	<u>6,984.48</u>		
Unencumbered Cash, Ending	<u>\$ 6,984.48</u>	<u>\$ 9,751.31</u>		

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
SPECIAL HIGHWAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year			Variance
	Actual	Actual	Budget	Over (Under)
Cash Receipts				
State Gas Tax	\$ 19,380.19	\$ 20,498.59	\$ 21,980.00	\$ (1,481.41)
Total Cash Receipts	<u>19,380.19</u>	<u>20,498.59</u>	<u>\$ 21,980.00</u>	<u>\$ (1,481.41)</u>
Expenditures				
Street Oil and Gravel	4,810.44	25,891.94	30,000.00	(4,108.06)
Repairs and Supplies	<u>0.00</u>	<u>0.00</u>	<u>20,000.00</u>	<u>(20,000.00)</u>
Total Expenditures	<u>4,810.44</u>	<u>25,891.94</u>	<u>\$ 50,000.00</u>	<u>(24,108.06)</u>
Receipts Over (Under) Expenditures	14,569.75	(5,393.35)		
Unencumbered Cash, Beginning	<u>21,162.79</u>	<u>35,732.54</u>		
Unencumbered Cash, Ending	<u>\$ 35,732.54</u>	<u>\$ 30,339.19</u>		

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
SPECIAL MACHINERY FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Actual
Cash Receipts		
None	\$ 0.00	\$ 0.00
Total Cash Receipts	0.00	0.00
Expenditures		
None	0.00	0.00
Total Expenditures	0.00	0.00
Receipts Over (Under) Expenditures	0.00	0.00
Unencumbered Cash, Beginning	24,854.29	24,854.29
Unencumbered Cash, Ending	\$ 24,854.29	\$ 24,854.29

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
WATER BOND & INTEREST FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year			Variance
	Actual	Actual	Budget	Over (Under)
Cash Receipts				
Operating Transfer:				
From Water Utility	\$ 42,600.00	\$ 100,008.00	\$ 100,000.00	\$ 8.00
Bond Proceeds	<u>35,137.71</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Cash Receipts	<u>77,737.71</u>	<u>100,008.00</u>	<u>\$ 100,000.00</u>	<u>\$ 8.00</u>
Expenditures				
Bond Principal	0.00	85,000.00	75,000.00	10,000.00
Bond Interest	60,177.50	40,562.92	57,658.00	(17,095.08)
Bond Commission	8.75	0.00	0.00	0.00
Cash Basis Reserve	0.00	0.00	6,500.00	(6,500.00)
Cost of Issuance	<u>35,306.92</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>95,493.17</u>	<u>125,562.92</u>	<u>\$ 139,158.00</u>	<u>\$ (13,595.08)</u>
Receipts Over (Under) Expenditures	(17,755.46)	(25,554.92)		
Unencumbered Cash, Beginning	<u>44,331.55</u>	<u>26,576.09</u>		
Unencumbered Cash, Ending	<u>\$ 26,576.09</u>	<u>\$ 1,021.17</u>		

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
SEWER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year			Variance
	Actual	Actual	Budget	Over (Under)
Cash Receipts				
Customer Receipts	\$ 55,608.53	\$ 55,130.01	\$ 58,000.00	\$ (2,869.99)
Miscellaneous	15.00	45.00	0.00	45.00
Total Cash Receipts	<u>55,623.53</u>	<u>55,175.01</u>	<u>\$ 58,000.00</u>	<u>\$ (2,824.99)</u>
Expenditures				
Salaries	9,119.82	8,059.25	14,000.00	(5,940.75)
Employee Benefits	323.79	170.00	1,000.00	(830.00)
Repairs and Supplies	3,389.82	6,218.54	9,000.00	(2,781.46)
Fuel	0.00	0.00	2,000.00	(2,000.00)
Equipment Maint. & Repair	0.00	0.00	5,000.00	(5,000.00)
Utilities	1,338.56	1,054.87	10,000.00	(8,945.13)
Capital Outlay	1,353.37	0.00	47,000.00	(47,000.00)
Lease Purchase Payment	0.00	10,794.81	0.00	10,794.81
Miscellaneous	1,734.92	8,184.45	0.00	8,184.45
Operating Transfer:				
To General	0.00	0.00	13,000.00	(13,000.00)
Total Expenditures	<u>17,260.28</u>	<u>34,481.92</u>	<u>\$ 101,000.00</u>	<u>\$ (66,518.08)</u>
Receipts Over (Under) Expenditures	38,363.25	20,693.09		
Unencumbered Cash, Beginning	<u>37,253.52</u>	<u>75,616.77</u>		
Unencumbered Cash, Ending	<u>\$ 75,616.77</u>	<u>\$ 96,309.86</u>		

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
WATER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		
	Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Customer Receipts	\$ 179,968.96	\$ 207,600.04	\$ 201,766.00	\$ 5,834.04
Connection Fees	325.00	400.00	500.00	(100.00)
Total Cash Receipts	<u>180,293.96</u>	<u>208,000.04</u>	<u>\$ 202,266.00</u>	<u>\$ 5,734.04</u>
Expenditures				
Salaries	38,784.62	23,860.49	32,000.00	(8,139.51)
Employee Benefits	6,862.98	598.17	6,000.00	(5,401.83)
Supplies	6,870.16	3,801.82	4,000.00	(198.18)
Taxes and Permits	3,631.23	4,016.27	4,000.00	16.27
Maintenance & Repairs	21,152.80	19,680.96	25,000.00	(5,319.04)
Utilities	12,940.22	13,860.53	14,000.00	(139.47)
Capital Outlay	8,919.17	111,830.83	121,000.00	(9,169.17)
Professional Fees	0.00	2,041.70	0.00	2,041.70
Miscellaneous	552.12	755.99	1,000.00	(244.01)
Operating Transfer:				
To Water Bond & Interest	<u>42,600.00</u>	<u>100,008.00</u>	<u>100,000.00</u>	<u>8.00</u>
Total Expenditures	<u>142,313.30</u>	<u>280,454.76</u>	<u>\$ 307,000.00</u>	<u>\$ (26,545.24)</u>
Receipts Over (Under) Expenditures	37,980.66	(72,454.72)		
Unencumbered Cash, Beginning	<u>66,012.80</u>	<u>103,993.46</u>		
Unencumbered Cash, Ending	<u>\$ 103,993.46</u>	<u>\$ 31,538.74</u>		

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
REFUSE UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Customer Receipts	\$ 101,314.37	\$ 101,470.96	\$ 122,000.00	\$ (20,529.04)
Total Cash Receipts	<u>101,314.37</u>	<u>101,470.96</u>	<u>\$ 122,000.00</u>	<u>\$ (20,529.04)</u>
Expenditures				
Contractual Services	100,479.15	101,324.89	122,000.00	(20,675.11)
Miscellaneous	<u>502.52</u>	<u>751.09</u>	<u>2,000.00</u>	<u>(1,248.91)</u>
Total Expenditures	<u>100,981.67</u>	<u>102,075.98</u>	<u>\$ 124,000.00</u>	<u>\$ (21,924.02)</u>
Receipts Over (Under) Expenditures	332.70	(605.02)		
Unencumbered Cash, Beginning	<u>1,816.36</u>	<u>2,149.06</u>		
Unencumbered Cash, Ending	<u>\$ 2,149.06</u>	<u>\$ 1,544.04</u>		

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
LAKE DONATION FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ 50.00	\$ 0.00
Total Cash Receipts	<u>50.00</u>	<u>0.00</u>
Expenditures		
None	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>0.00</u>	<u>0.00</u>
Receipts Over (Under) Expenditures	50.00	0.00
Unencumbered Cash, Beginning	<u>106.64</u>	<u>156.64</u>
Unencumbered Cash, Ending	<u><u>\$ 156.64</u></u>	<u><u>\$ 156.64</u></u>

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
SPECIAL PROJECT DONATIONS FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Donations	\$ 10,612.00	\$ 204.00
Total Cash Receipts	<u>10,612.00</u>	<u>204.00</u>
Expenditures		
Supplies	<u>9,872.70</u>	<u>151.19</u>
Total Expenditures	<u>9,872.70</u>	<u>151.19</u>
Receipts Over (Under) Expenditures	739.30	52.81
Unencumbered Cash, Beginning	<u>3,200.46</u>	<u>3,939.76</u>
Unencumbered Cash, Ending	<u>\$ 3,939.76</u>	<u>\$ 3,992.57</u>

The notes to the financial statements are an integral part of this statement.

The City of Coldwater, Kansas
HERITAGE PARK DONATIONS FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
None	\$ 0.00	\$ 0.00
Total Cash Receipts	<u>0.00</u>	<u>0.00</u>
Expenditures		
Supplies	<u>0.00</u>	<u>133.66</u>
Total Expenditures	<u>0.00</u>	<u>133.66</u>
Receipts Over (Under) Expenditures	0.00	(133.66)
Unencumbered Cash, Beginning	<u>5,355.64</u>	<u>5,355.64</u>
Unencumbered Cash, Ending	<u>\$ 5,355.64</u>	<u>\$ 5,221.98</u>

The notes to the financial statements are an integral part of this statement.

THE CITY OF COLDWATER, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Coldwater, Kansas is a municipal corporation governed by an elected six-member council. A primary government is a legal entity or public politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The City of Coldwater, Kansas had no component units.

B. FUND ACCOUNTING

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City of Coldwater, Kansas for the year of 2010:

GOVERNMENTAL FUNDS

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds--to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City of Coldwater, Kansas.

PROPRIETARY FUNDS:

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs (expenses), including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges--or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS:

Trust and Agency Funds--to account for assets held by a governmental unit in a trustee capacity or as an agent for individual, private organizations, other governmental units, and/or other funds. These include (a) Pension Trust Funds, (b) Investment Trust Funds, (c) Private Purpose Trust Funds, and (d) Agency Funds.

C. BASIS OF ACCOUNTING

Statutory Basis of Accounting: The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has passed a charter ordinance waiving the requirements of generally accepted accounting principles which allows the municipality to revert to the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America: The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of interest bearing checking accounts, money market accounts and certificates of deposit. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. COMPENSATED ABSENCES

Sick Leave Policy:

After a probation period (set by the Council) full-time employees will accrue sick leave at a rate of 3.5 hours per pay period with no maximum set on how many hours of sick leave that may be accrued. Employees are not compensated for unused sick leave upon separation of employment, therefore, there is no potential liability as of December 31, 2010.

Vacation Policy:

Full-time employees are eligible for paid vacation after a probation period which will be set by the Council. Employees with up to 10 years of service earn 4 hours per pay period with a maximum accumulation of 120 hours. Employees with 10 to 20 years of service earn 5.5 hours per pay period with a maximum accumulation of 150 hours. Employees with over 20 years of service earn 7 hours per pay period with a maximum accumulation of 180 hours. Vacation days over the maximum limit will be lost. Upon separation of employment, employees are compensated for any unused vacation days. As of December 31, 2010 and 2009, the liability for unused vacation leave was \$5,239.18 and \$6,941.07, respectively, which is a net change of (\$1,701.89).

F. COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompany individual fund financial statements in order to provide an understanding of changes in the City's financial position and operation. Some prior year balances have been reclassified to conform with the current year presentation.

G. TOTAL COLUMNS (MEMORANDUM ONLY)

Total Columns on the Summary of Receipts, Expenditures and Unencumbered Cash are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

H. AD VALOREM TAX REVENUE

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the City by January 20. The second half is due May 10 and distributed to the City by June 5. The City Treasurer draws available funds from the County Treasurer at designated times throughout the year.

I. REIMBURSED EXPENSES

The City records reimbursable expenditures (or expense) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

F. USE OF ESTIMATES

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The Water Bond & Interest Fund was amended during the year.

Note 2 - BUDGETARY INFORMATION (Cont'd.)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, reserve funds, fiduciary funds, permanent funds, and the following special revenue funds:

Special Machinery

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note 3 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

Note 4 - DEPOSITS

K.S.A. 9-1401 established the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC Coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with the allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2010.

At December 31, 2010 the City's carrying amount of deposits was \$396,288.45 and the bank balance was \$469,400.57. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$369,632.61 was covered by federal depository insurance, and \$99,767.96 was collateralized with securities held by the pledging financial institution's agents in the City's name.

Note 5 - LONG TERM DEBT

Changes in long-term liabilities for the municipality for the year ended December 31, 2010, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>
General Obligation Bond:				
To be paid with tax levys:				
Refunding Bond - Series 2009	1.50%-3.75%	9/1/2009	\$ 1,270,000.00	8/1/2022
Capital Lease:				
To be paid with tax levys & utility revenues:				
Caterpillar Backhoe Loader	4.15%	8/12/2010	78,338.41	8/12/2014

Total Contractual Indebtedness

Compensated Absences

Total Long-Term Debt

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
PRINCIPAL:			
General Obligation Bond:			
To be paid with tax levys:			
Refunding Bond - Series 2009	\$ 85,000.00	\$ 85,000.00	\$ 85,000.00
Capital Lease:			
To be paid with tax levys & utility revenues:			
Caterpillar Backhoe Loader	<u>18,406.75</u>	<u>19,170.63</u>	<u>19,966.22</u>
TOTAL PRINCIPAL	<u>103,406.75</u>	<u>104,170.63</u>	<u>104,966.22</u>
INTEREST:			
General Obligation Bond:			
To be paid with tax levys:			
Refunding Bond - Series 2009	42,315.00	40,615.00	38,575.00
Capital Lease:			
To be paid with tax levys & utility revenues:			
Caterpillar Backhoe Loader	<u>2,388.06</u>	<u>1,624.18</u>	<u>828.59</u>
TOTAL INTEREST	<u>44,703.06</u>	<u>42,239.18</u>	<u>39,403.59</u>
TOTAL PRINCIPAL & INTEREST	<u>\$ 148,109.81</u>	<u>\$ 146,409.81</u>	<u>\$ 144,369.81</u>

<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions / Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 1,270,000.00	\$ 0.00	\$ 85,000.00		\$ 1,185,000.00	\$ 40,562.92
<u>0.00</u>	<u>78,338.41</u>	<u>20,794.81</u>		<u>57,543.60</u>	<u>0.00</u>
1,270,000.00	78,338.41	105,794.81		1,242,543.60	40,562.92
<u>6,941.07</u>			<u>(1,701.89)</u>	<u>5,239.18</u>	
<u>\$ 1,276,941.07</u>	<u>\$ 78,338.41</u>	<u>\$ 105,794.81</u>	<u>\$ (1,701.89)</u>	<u>\$ 1,247,782.78</u>	<u>\$ 40,562.92</u>

<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2025</u>	<u>Total</u>
\$ 90,000.00	\$ 90,000.00	\$ 515,000.00	\$ 235,000.00	\$ 1,185,000.00
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>57,543.60</u>
<u>90,000.00</u>	<u>90,000.00</u>	<u>515,000.00</u>	<u>235,000.00</u>	<u>1,242,543.60</u>
36,280.00	33,580.00	116,125	15,620.00	323,110.00
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>4,840.83</u>
<u>36,280.00</u>	<u>33,580.00</u>	<u>116,125.00</u>	<u>15,620.00</u>	<u>327,950.83</u>
<u>\$ 126,280.00</u>	<u>\$ 123,580.00</u>	<u>\$ 631,125.00</u>	<u>\$ 250,620.00</u>	<u>\$ 1,570,494.43</u>

Note 5 - LONG TERM DEBT (Cont'd.)

The City entered into a lease purchase agreement for a 420E Caterpillar Backhoe Loader from Foley Equipment on August 12, 2010. The lease requires four annual payments of \$20,794.81, which began August 2010. The lease is non-cancelable except in the event no funds or insufficient funds are appropriated and budgeted and funds are not otherwise available by any means whatsoever after the City has exercised its best efforts and any administrative reviews and appeals available to secure adequate funds.

Note 6 - INTERFUND TRANSACTIONS

From	To	Statutory Authority	Amount
Water Utility	Water Bond & Interest	K.S.A. 12-825d	\$ 100,008.00

Note 7 - DEFINED BENEFIT PENSION PLAN

Plan description. The City of Coldwater contributes to the Kansas Public Employees Retirement System (KPERS) a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Ave., Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2010 is 7.14%. The City of Coldwater employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$10,321.16, \$10,035.91, and \$9,273.54, respectively, equal to the required contributions for each year.

Note 8 - OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

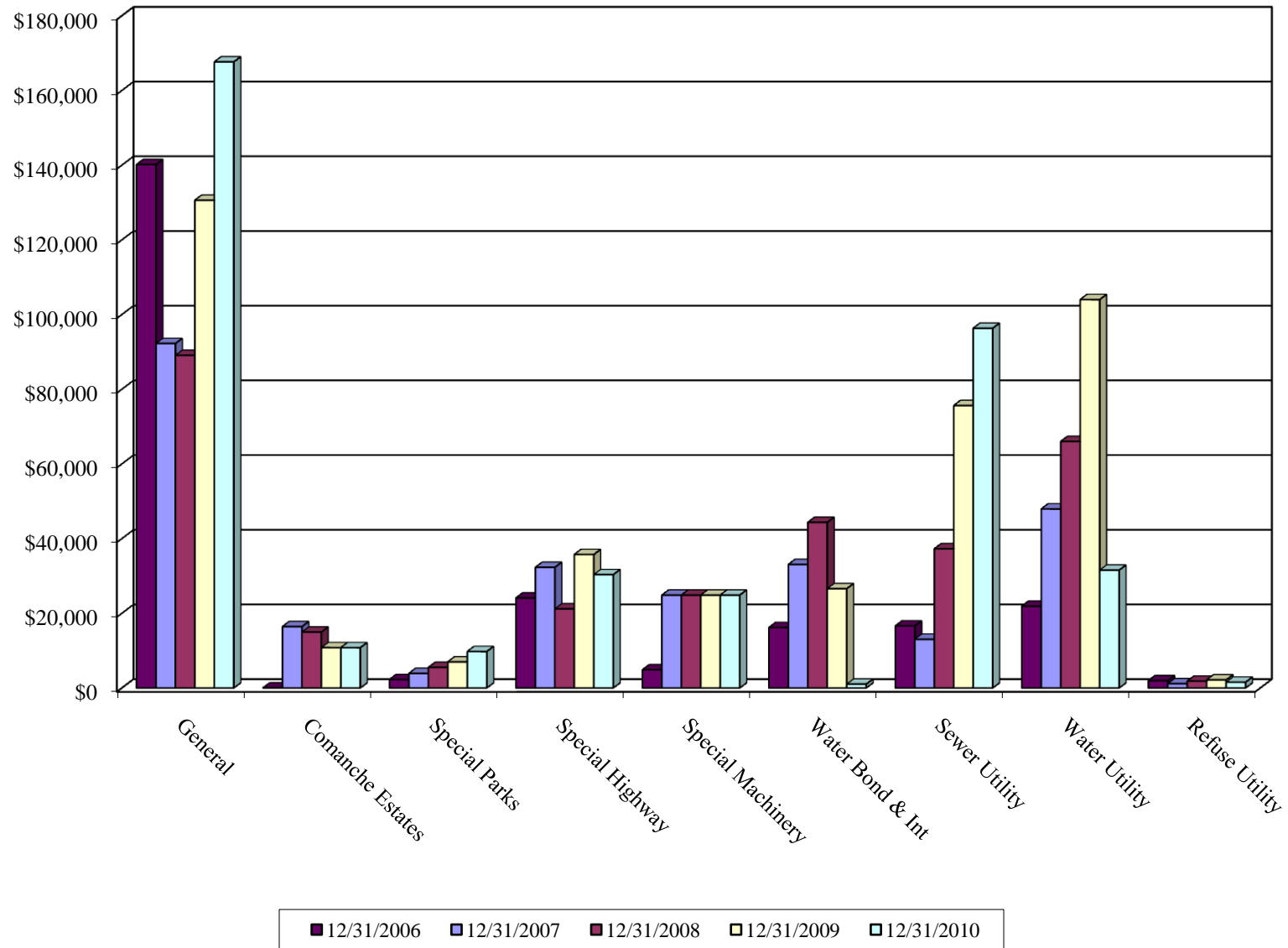
Note 9 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The City does not participate in a public entity risk pool.

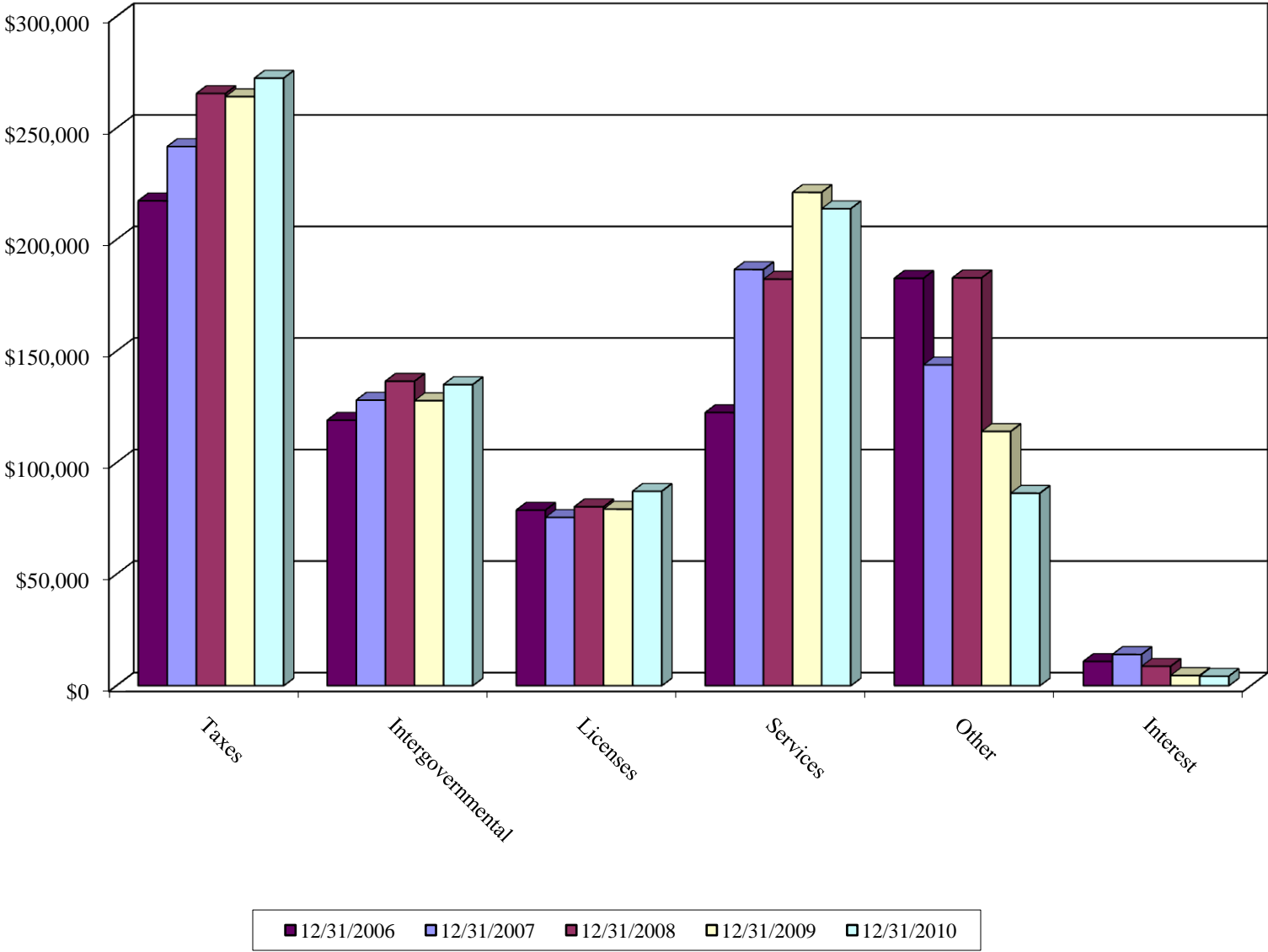
Note 10 - RELATED PARTY TRANSACTIONS

The City purchased computer supplies from Buy the Byte, a company for which Anthony Smith, Mayor, is the owner. The amount purchased during the year was \$2,125.79.

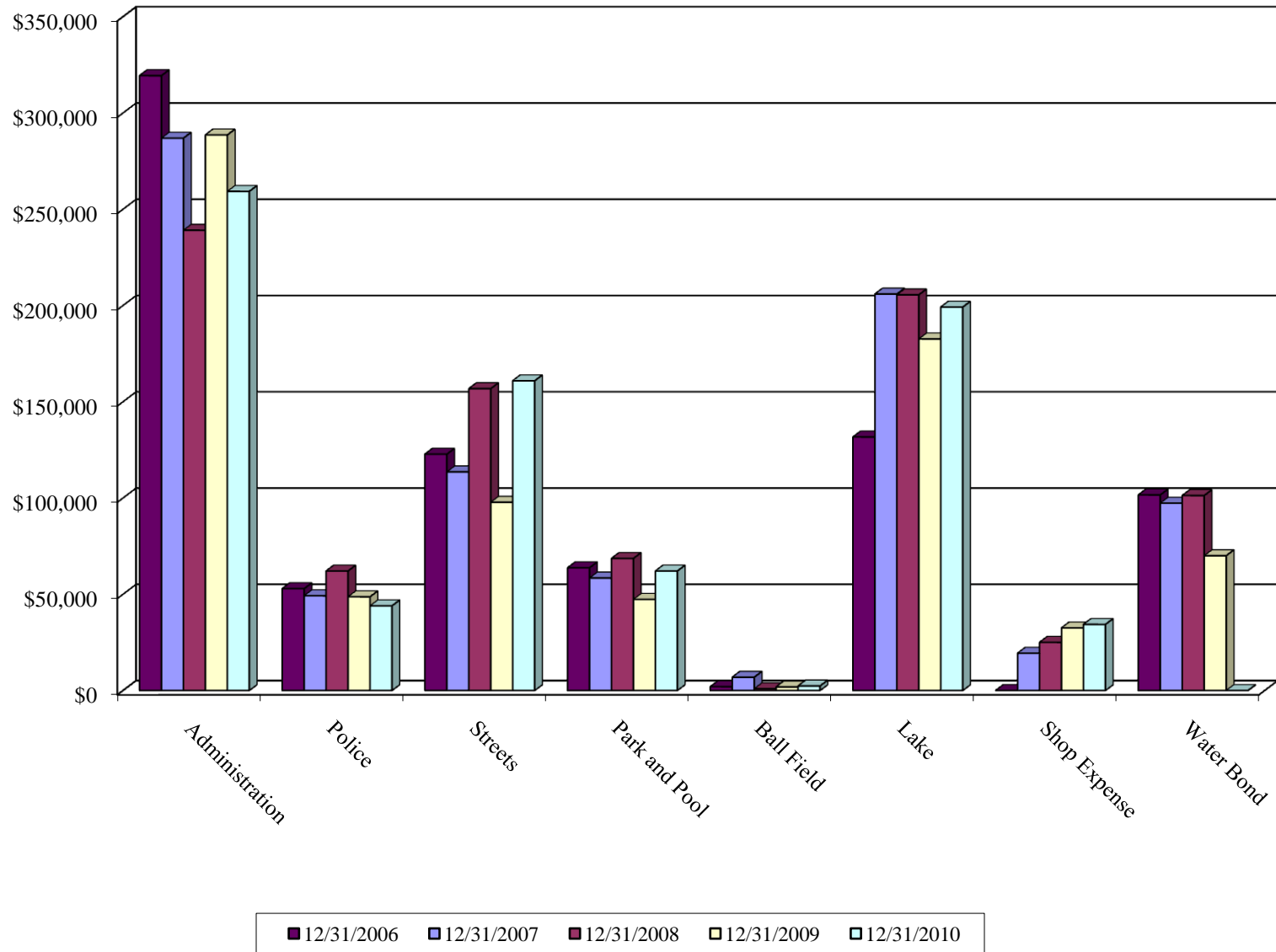
**City of Coldwater
Coldwater, Kansas
Unencumbered Cash Balances - Selected Funds**



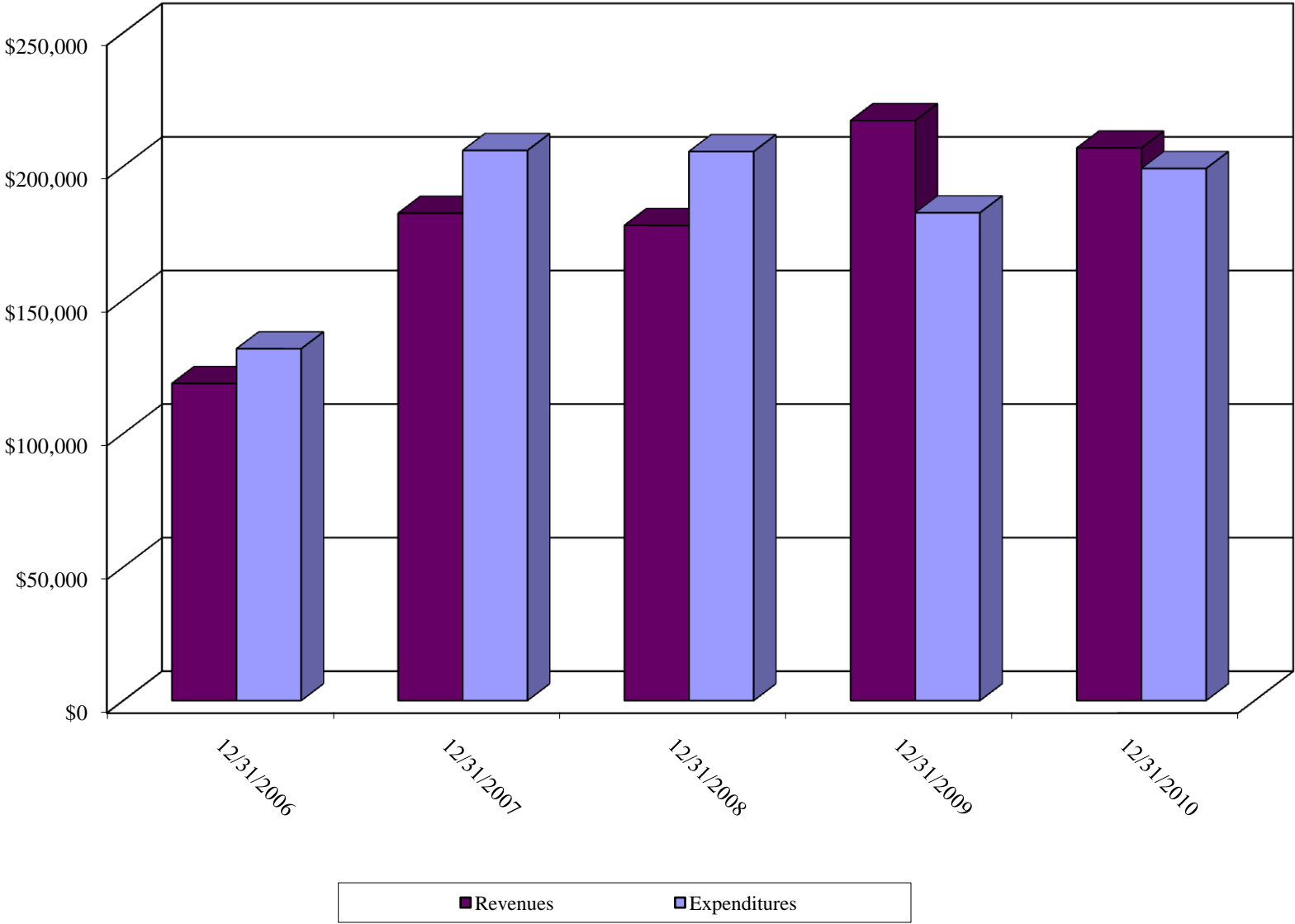
**City of Coldwater
Coldwater, Kansas
General Fund Revenues**



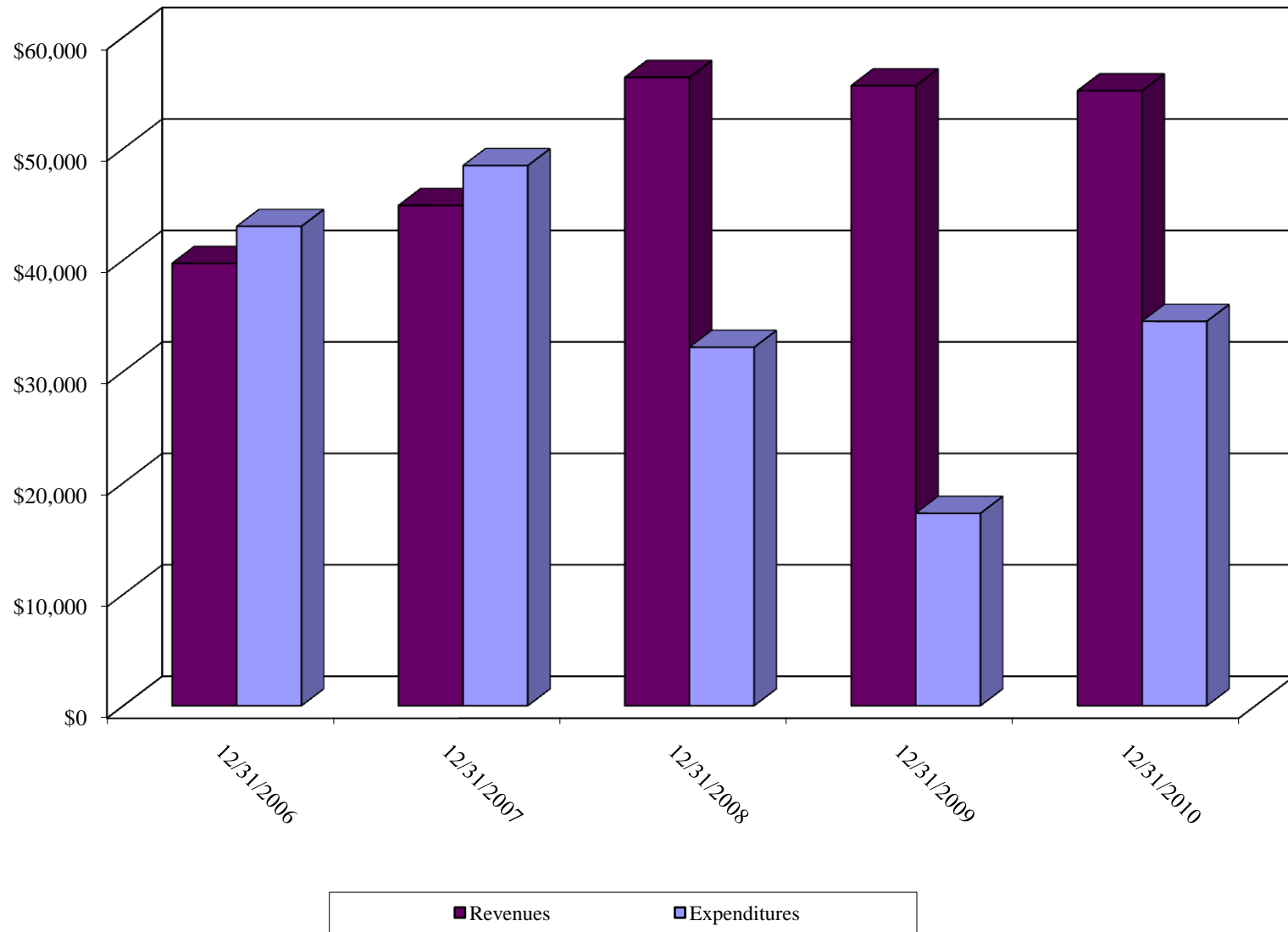
City of Coldwater Coldwater, Kansas General Fund Expenditures



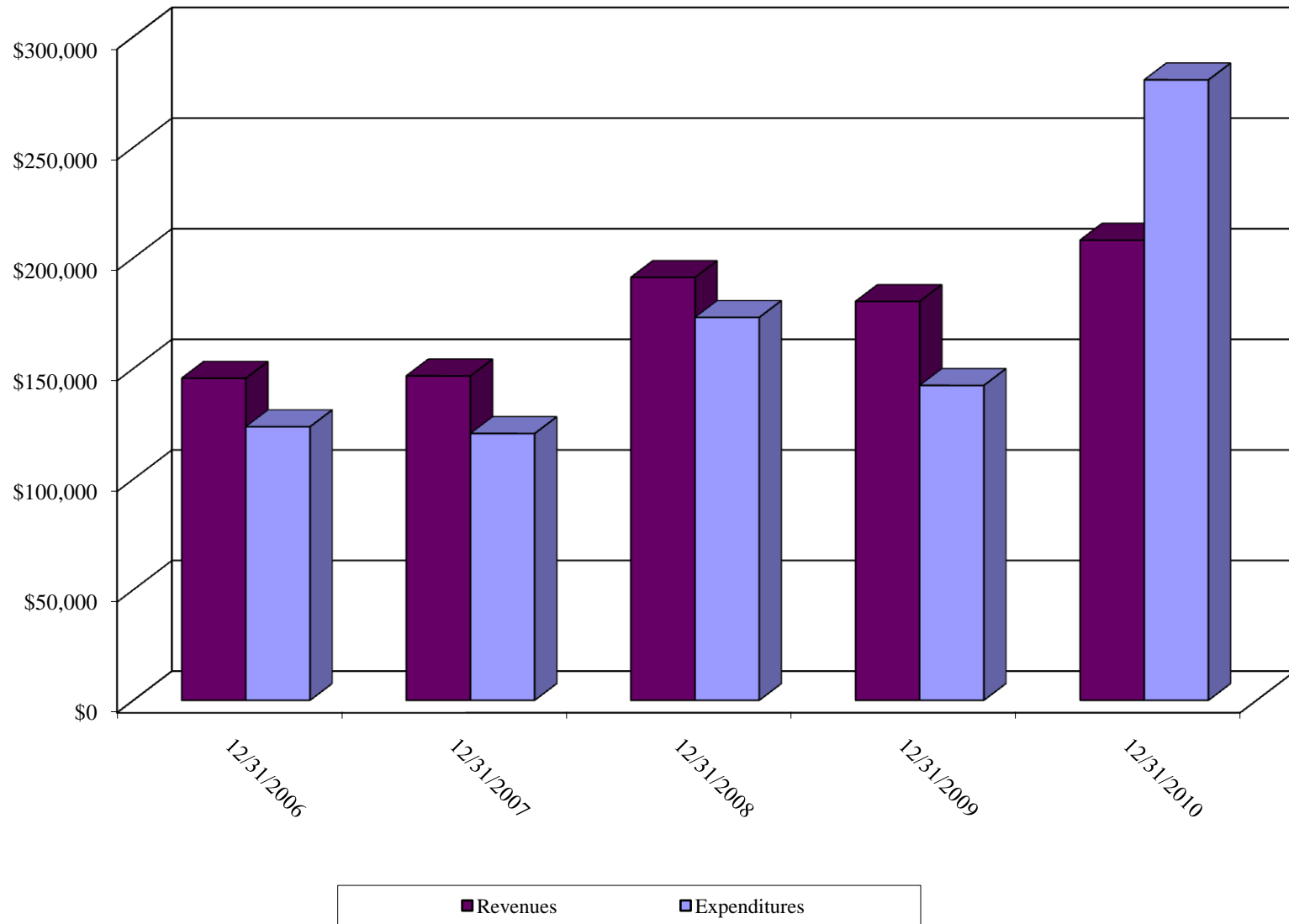
**City of Coldwater
Coldwater, Kansas
Lake Revenues vs. Expenditures**



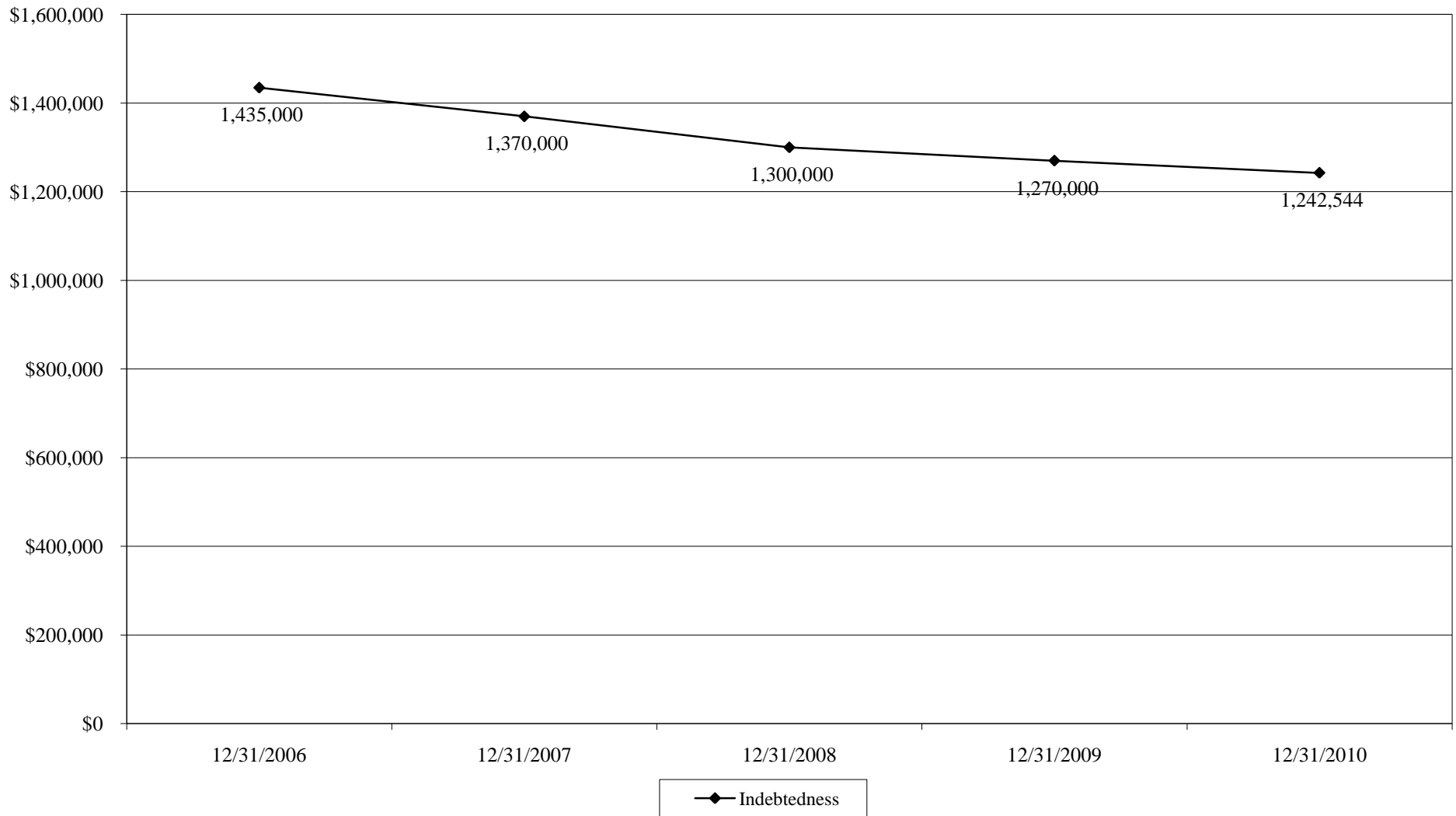
**City of Coldwater
Coldwater, Kansas
Sewer Fund
Revenues vs. Expenditures**



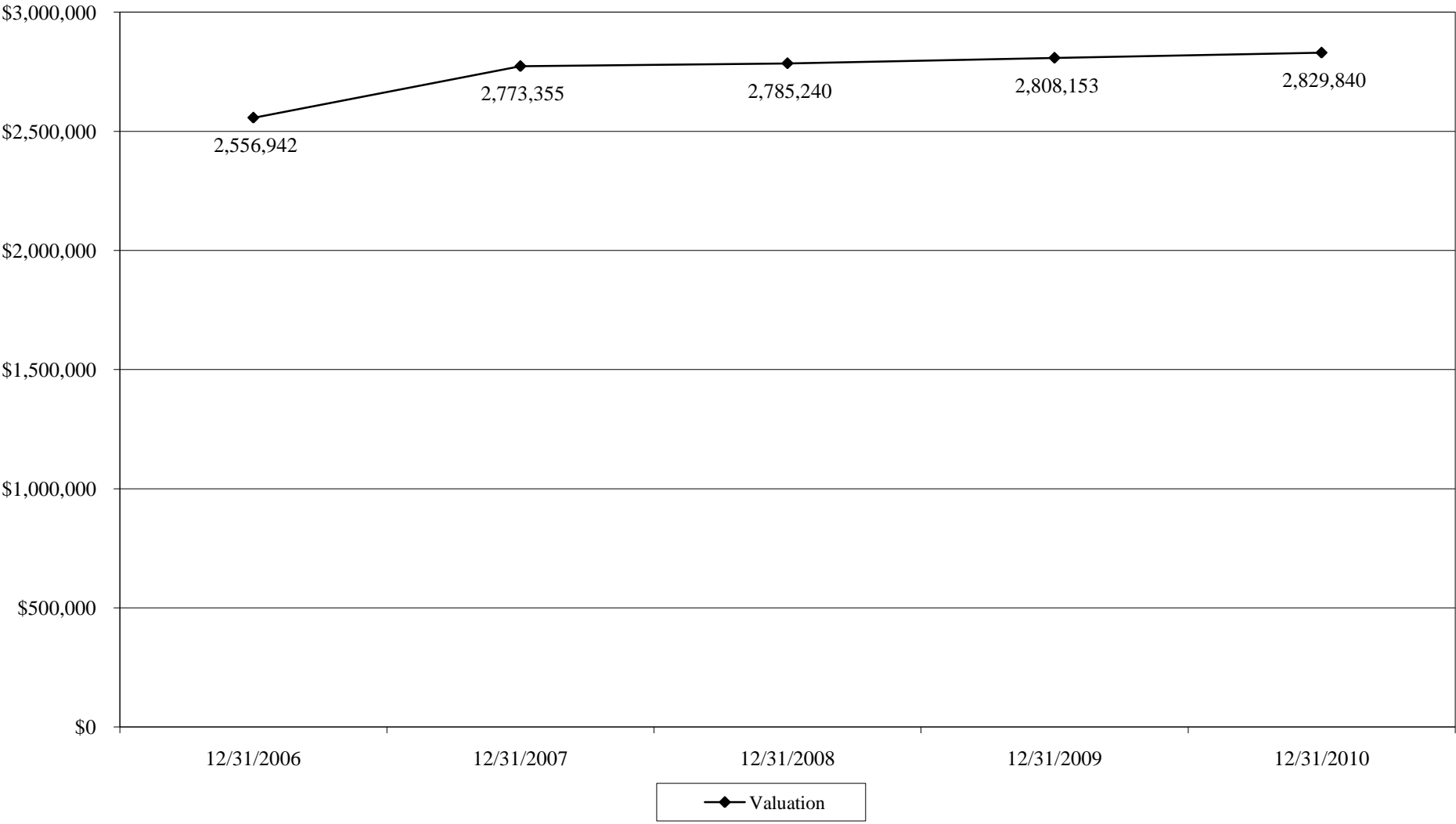
**City of Coldwater
Coldwater, Kansas
Water Fund
Revenues vs. Expenditures**



**City of Coldwater
Coldwater, Kansas
Indebtedness**



**City of Coldwater
Coldwater, Kansas
Valuation**



**City of Coldwater
Coldwater, Kansas
Mill Rate**

